

# GAMING UPDATE

Volume 10, Edition 2

July 1996



## Renewal Time is Upon Us!

Once again the year has come full circle, and the time has come to renew licenses and submit annual reports. **Due dates are fast approaching.**

**All licensed organizations, pickle card operators, and other charitable gaming licensees** (except county/city lottery licensees) should have received their appropriate annual package of license renewal applications from the Charitable Gaming Division. If you have not received this information, you should review the mailing address listed currently on your gaming licenses. This mailing address reflects the information we have on record, and all correspondence regarding your gaming activities has been mailed to that address. **If you are unable to locate your renewal package, please contact our office as soon as possible so that we can mail duplicate information to you.**

### **PICKLE CARD OPERATORS:**

Pickle card operator license renewal applications must be received by our office or postmarked no later than **August 1**. Extensions will not be granted.

Applications must be signed by a business owner, partner, or corporate officer. Your computer-generated renewal application will provide the current information on file with our office regarding the owners, partners, or officers of your business. One of these individuals must sign the application.

**Signatures of a manager or other employee who does not have ownership interest in the business will not be accepted.** You must include the **\$50** licensing fee with the application. Incomplete or improperly signed applications will be returned.

### **THIS ISSUE CONTAINS**

Administrative Actions .....	4
Changes to Pickle Card Laws .....	5
County/City Lottery News Briefs .....	6
Groups Petition for Changes to Nebraska Constitution .....	7

**If there has been a change of ownership in your business, the new owners will NOT be allowed to use the computer-generated license renewal form.** New owners must complete and file a Nebraska Application for Pickle Card Operator, Form 50D. Forms are available upon request from the Charitable Gaming Division.

### **BINGO, PICKLE CARD, AND LOTTERY/RAFFLE ORGANIZATIONS:**

An application to renew bingo and pickle card licenses must be received by our office or postmarked no later than **August 15** (unless your application relates only to a limited period bingo occasion or special function pickle card sales authorization). Extensions will be not be granted.

*(continued on page 2)*

### **It's Also Inventory Time!**

**Licensed organizations take note!** June 30th marks the end of the 1995-96 annual reporting period, and you will need to take a physical inventory of your pickle card units. This inventory will be needed in order to accurately complete your Form 35A - Pickle Card Annual Report. **Your Annual Report is due August 15th.**

All organizations holding a Class I or Class II pickle card license need to **take an inventory of all pickle card units on hand as of mid-night, June 30th.** The inventory should include units in play at your designated premises and/or bingo occasion. You can use the reverse side of Form 35A - Schedule II to record your inventory; that way you will ensure you list all the needed information. **Also, don't forget to make a copy of the inventory listing for your records.**

Applications to renew lottery/raffle licenses must be submitted **at least 30 days prior** to the date your organization plans to begin selling tickets.

**To ensure that your renewal applications are processed in a timely manner, please recheck the following areas:**

- ✓ **Correct Fees:** The fees required for each type of license are indicated on the license renewal forms and are located at the **top** of the forms. Please recheck the amount to be remitted; your renewal application cannot be processed with insufficient license fees.
- ✓ **Correct Signatures:** Required signatures must be on all applications submitted in the areas provided, and applications submitted to our office must contain original signatures; no photocopies will be accepted. Each applicant for a license as a utilization of funds member, sales agent, gaming manager, and the person designated as bingo chairperson must sign the renewal forms in the space provided. An officer who is listed on the renewal form as one of your current officers must also sign in the space provided.
- ✓ **Pickle Card Operator Authorizations:** All authorizations submitted by Class II pickle card license applicants must be signed by a utilization of funds member who is renewing

his or her license, or by someone being added as a utilization of funds member for the 1996-97 license year. The renewal applications must also contain the signature of an owner, partner or corporate officer of the pickle card operator. All renewal applications must contain original signatures.

- ✓ **Remember to Submit Your Annual Reports.** Organizations holding an active bingo, pickle card, or lottery/raffle license during any portion of the period **July 1, 1995 through June 30, 1996**, must complete and submit the appropriate annual report form for each activity. **Licenses for the 1996-97 license year will not be issued until all required annual report forms have been received.** Each page of the annual report and all required attachments must be provided for us to process your license renewal application. If possible, please include the annual report(s) with your license renewal application. **Remember, annual reports are due August 15, even if you do not renew your gaming license(s).**

**ALL LICENSEES:**

Pickle card operator license renewal applications postmarked on or before **August 1**, and organization license renewal applications for bingo and/or pickle cards postmarked on or before **August 15**,

## NEBRASKA DEPARTMENT OF REVENUE

STATE TAX COMMISSIONER — M. BERRI BALKA

Charitable Gaming Division Administrator — Jim Bogatz

Investigation Division Administrator — Greg Schnasse



### WHO TO CONTACT FOR . . . . .

**Audits, Annual and Quarterly Reports, and Tax Returns**

Gerald Otoupal	471-5940
Gene Weiner	471-5953

**Pickle Card Receipt Books**

Mary Gropp	471-5937
------------	----------

**Licenses, Authorizations, Permits, Device Decals, and Forms**

Sharon French	471-5939
Carri Fitzgerald	471-5949

**Bingo, Pickle Card, and Lottery/Raffle Game Conduct**

Deb Weber	471-5944
Steve Schatz	471-5943

**County/City Lottery Licensing and Game Conduct**

Steve Schatz	471-5943
Linda Knox	471-5945

**County/City Lottery Audit and Tax Returns**

Gerald Otoupal	471-5940
Pete Andersen	471-5936

**Investigations, Complaints, and Fingerprints**

Greg Schnasse	471-5941
Mike Olsen	471-5948

**Inspections**

Merle Reiling	471-5947
---------------	----------

**Legal Proceedings**

Mike Goodwillie	471-5946
Todd Bornhoft	471-5925

**will receive priority.** License renewal applications will be reviewed in the order in which they are received, so the sooner your application is submitted, the sooner it can be reviewed for processing. **PLEASE NOTE:** To avoid any confusion and minimize the possibility of licenses being misplaced, **we will not actually begin mailing 1996-97 licenses until the latter part of September** even though the application may have completed processing prior to that date.

**The Charitable Gaming Division has the authority to impose an administrative fine for failing to timely file a license renewal application.** In addition, you risk not having a license by October 1, 1996, the beginning of the 1996-97 license year. **If you do not have your 1996-97 license(s) on October 1, you must cease all charitable gaming activity until you receive the actual license(s).**

When calling or writing to us, please identify your organization or business name as it appears on your charitable gaming license, and your state identification number **(the 35- number printed in the upper right-hand corner of your license).** If you call to inquire about the status of your license renewal application, we will only be able to tell you if the application has been received, whether or not it was submitted by the due date, and whether or not the license(s) have been issued. We will not be able to tell you exactly where your application is in the review process.

**License renewal applications submitted with insufficient license fees, missing or incorrect signatures, or missing or improperly completed forms will be returned for correction.** A letter will be included outlining what is needed in order to process the application. To avoid delay, please read the instructions provided with the forms and recheck the forms before submitting them. If you have any questions regarding license renewal, please call us. **By calling us with questions prior to the submission of your renewal applications, problems may be avoided.**

### **In Remembrance...**

The Department is sad to announce that longtime Investigator in the Scottsbluff area, **Bernie Suprano**, passed away on May 19th after a courageous battle with cancer. Bernie, ever cheerful throughout his ordeal, will be greatly missed by all of us.

## **Time to File Annual Reports Fast Approaching**

**August 15th is right around the corner**, and for licensed organizations, that means **it is now time to begin preparing the annual bingo, pickle card and lottery raffle reports** that must be filed with the Charitable Gaming Division. As you know, **your 1996-97 gaming licenses will not be issued until** we have received and reviewed your annual reports, which are due August 15th.

Annual report forms were mailed to each organization in late June along with application forms for license renewal, so **if you do not have the forms you need, contact us now for replacements!** Don't wait until the last minute to locate your forms or complete your annual report; inevitably, you will run out of time. **Extensions will not be granted.**

**If you find yourself having trouble** with any of the annual report forms, please contact us! A little help along the way may save you from having to correct a form later.

You can call any of the following Charitable Gaming Auditors for assistance with your annual reports:

#### **OMAHA**

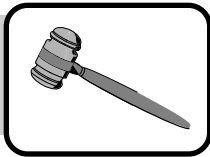
**David Allen - (402) 595-3179**  
**Paul Linnell - (402) 595-3059**

#### **LINCOLN**

**Gene Weiner - (402) 471-5953**  
**Monte Dietrick - (402) 471-5952**

**Finally, if you do wish to visit with an auditor** in person, in either the Omaha or Lincoln Charitable Gaming office, please make sure you call ahead for an appointment. Annual report season is a busy time in our office; calling ahead will ensure that you receive an auditor's undivided attention.





## Administrative and Court Actions

The following cases reached final administrative determination or court decision since the last issue of **GAMING UPDATE**:



**In the Matter of Raymond Keno**, Docket Number 95-019-35G. This case resulted from a malfunction of keno equipment at the Ding-A-Ling Bar in Raymond, Nebraska. When the computer system malfunctioned and indicated that a four spot ticket for which only one number was correctly selected was a \$15,000 winner, staff at Raymond Keno failed to verify and regrade the ticket as required by the Nebraska County and City Lottery Regulations. The Department brought an action to impose an administrative fine and on February 6, 1996, without admitting liability, Raymond Keno paid an administrative fine of \$1,000.



**In the Matter of Knickers-Lincoln**, Docket Number 96-001-35G. This case involved a pickle card operator selling pickle cards on behalf of a licensed organization without first obtaining an authorization. Without admitting liability, the operator paid an administrative fine of \$100.



**In the Matter of the Ord Area Jaycees**, Docket Number 96-002-35G. This case involved a licensed organization accepting payment for pickle card units sold to a pickle card operator in cash rather than by check. Without admitting liability, the organization paid an administrative fine of \$100 to the Department on March 19, 1996.



**In the Matter of S & M Investments, d/b/a Y'All Come Back Saloon-Ord**, Docket Number 96-003-35G. This case involved a pickle card operator paying for pickle card units with cash, rather than by check. Without admitting liability, the operator paid the Department an administrative fine of \$100 on March 26, 1996.



**In the Matter of American Legion Post 200-Bayard**, Docket Number 96-004-35G. This case involved a nonprofit organization licensed to

conduct a lottery by the sale of pickle cards which was seeking to renew its license as a keno sales outlet location. Due to pickle card shortages for the preceding four annual reporting periods, the Department sought to deny the license application. On April 11, 1996, the State Tax Commissioner issued an order granting the organization's sales outlet license since the organization had not had any keno shortages in the past. The order went on to indicate that any keno shortage would result in revocation of the organization's license.



**In the Matter of the Sesostris Shrine Temple-Lincoln**, Docket Number 96-005-35G. This case resulted from an audit of a nonprofit organization conducting bingo and selling pickle cards. The audit indicated that the organization had filed a number of reports after the due dates stated in statute or regulation, had failed to account for pickle card proceeds, and had charged different prices for the same type of bingo paper, potentially misstating the organization's bingo tax liability. The Department brought an administrative action and on March 27, 1996, without admitting liability, the organization paid a fine of \$2,000.



**In the Matter of Midwest Vending, Inc., d/b/a Buffalo Creek Inn-Springfield**, Docket Number 96-006-35G. An investigation by the Department indicated that in October, 1995, personnel at the Buffalo Creek Inn, the lottery operator, permitted an individual to play keno on credit. Further, several individuals were conducting keno but had not obtained licenses to do so. The Department brought an action seeking to impose an administrative fine. The operator, without admitting liability, paid a fine of \$1,500 on February 28, 1996.



**In the Matter of Palace Lounge, Inc.,-Red Cloud**, Docket Number 96-007-35G. This case involved a pickle card operator selling pickle cards to the public without first obtaining a license. Without admitting liability, the operator paid the Department a fine of \$250 on May 8, 1996.

**In the Matter of Luet, Inc., d/b/a Clyde's Parkway Bar-Omaha**, Docket Number 96-009-35G. This case involved the revocation of the license of a pickle card operator. The president and vice-president of the corporation, who owned all the stock, were convicted of conspiracy and money-laundering in Federal Court in February, 1996. The Department sought to revoke the license under the portion of the Nebraska Pickle Card Lottery Act making it grounds to revoke licenses for crimes involving fraud, theft, or willful failure to make reports to government agencies, as well as felonies within ten years of license application. After a hearing at which the licensees did not appear, the State Tax Commissioner issued an order revoking the license on May 6, 1996.



**In the Matter of Just One More Bar and Grill-Bellwood**, Docket Number 96-011-35G. This case involved a pickle card operator selling pickle cards without first obtaining an authorization, and purchasing pickle card units with cash rather than by check. On April 24, 1996, the operator, without admitting liability, paid an administrative fine of \$100.

## Charitable Gaming Division Staff Changes

The Charitable Gaming Division has both gained and lost some faces over the past few months.

### Joining the staff are:

**Linda Knox**, who has been with the Department of Revenue for 23 years, working previously in the Department's Tax Policy and Audit Divisions. Linda, who is an inactive CPA, has an extensive audit background and will be working primarily in the county/city lottery (keno) area.

**Carri Fitzgerald, Licensing Specialist Trainee** - Carri has been with the Department of Revenue since 1988 and joins us from the Revenue Operations Division. Carri will be assisting Sharon French in the licensing of gaming applicants.

**Leaving us are Kim Nelson**, who assisted many of you as a Charitable Gaming Auditor for the past four years, transferring to the Department's main Audit Division; and **Don Reinhart** of the Charitable Gaming Licensing Section, who transferred to the Motor Fuels Division. Both Kim and Don are supervisors in their respective Divisions and we wish them well in their new positions!

## Legislature Makes Minor Changes to Pickle Card Laws

**It ended up being a relatively quiet legislative session this year**, at least as far as gaming in Nebraska goes. Despite lots of noise early on in the session regarding the expansion of gaming, particularly in the area of video gaming, only one charitable gaming-related bill eventually passed. **LB 1277, which becomes effective July 19th**, will make some minor changes to the Nebraska Pickle Card Lottery Act.

**First, LB 1277 adds 501(c)(7) organizations** to the list of nonprofit organizations that are eligible to apply for a pickle card license. 501(c)(7) organizations are defined by the Internal Revenue Service as **"clubs organized for pleasure, recreation, and other nonprofit purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder"**. Basically, this will include groups such as nonprofit country clubs and golf associations, etc. While the Legislature did make 501(c)(7) organizations eligible for a pickle card license, they are still **not** eligible for a bingo license.

**Second, LB 1277 authorizes the Department to approve seal card games** as a form of lottery by the sale of pickle cards. A seal card game is a pickle card or punchboard game that incorporates a flare or "placard", which has one or more "seals" contained on it. Some of the pickle cards in a seal card game will entitle the holder to "sign up" for one of the "seal" prizes. After all the pickle cards in the game are sold, the seal or seals are removed to reveal the winning seal numbers. The Department is currently in the process of developing rules of play for seal card games, and reviewing such games for approval.

**Finally, LB 1277 relaxes some restrictions on pickle card manufacturers** relative to marketing new pickle card games in Nebraska prior to the Department approving such games. New games **cannot actually be sold** to organizations or pickle card operators before the Department approves them; however, the manufacturers will be allowed to advertise or promote new games to these entities prior to approval.

## County/City Lottery News Briefs

**Total dollars wagered on keno** for the period January 1, 1996 through March 31, 1996 were \$45,808,377. Total dollars wagered for the same period during the previous year were \$54,910,238. **This represents a decrease of approximately 17 percent.** The amount wagered for January through March of 1996 is also down from the previous quarter of \$46,699,159.

**The Village of Beemer and the cities of Blue Springs, Cambridge, Cortland, Hooper, and Falls City held elections** since our last publication. All of the communities approved the lottery with the exception of Falls City.

**The Village of Sprague and the cities of Auburn, Bloomfield, Bridgeport, Imperial, and Pleasant Dale** have been issued county/city lottery licenses since our last publication. The Village of Verdon has discontinued its lottery.

## Department Authorizes 14-Month Keno Audit Period for 1995-96

In 1995 the Nebraska Legislature enacted **LB 194 which changed the fiscal year** of first class cities, second class cities, and villages from August 1 through July 31, to October 1 through September 30. In order to effectuate this change, the legislation extended the 1995-96 fiscal year to September 30, 1996; i.e., the 1995-96 fiscal period represents 14 calendar months. **The County and City Lottery Regulations require that all keno operations be audited annually** by an independent certified public accountant. The audit may be performed in conjunction with the regular audit of the county, city, or village and cover the same period (August 1 through July 31) or be performed for the yearly period beginning July 1 and ending June 30 of every year.

**In light of this recent legislation and for the benefit of those cities and villages which perform the keno audit** on a July 31 fiscal year-end basis, the Charitable Gaming Division will allow the annual keno audit to cover the period August 1, 1995 through September 30, 1996. Subsequent annual audits would then cover the period October 1 through September 30. Those communities which currently conduct the annual keno audit on a fiscal year ending date of June 30 or other than July 31, and wish to change the audit period, should contact the Charitable Gaming Division's Audit Section for approval.

## Revised Keno Audit Procedures Distributed

**Revenue Rulings 35-94-1 and 35-94-2** which set forth the minimum procedures for the performance of an audit of a county, city, or village keno lottery **have recently been revised and replaced by Revenue Rulings 35-96-2 and 35-96-3, respectively.** The revised Revenue Rulings were recently distributed to each county, city, and village currently conducting a keno lottery as well as to members of the Nebraska Society of Certified Public Accountants. Additional copies are available from the Charitable Gaming Division upon request. **Highlights of the changes include the following:**

- ✓ **In those operations using both a random number generator and manual ball draw** for winning number selection, the review will include the determination of the operator's adherence to the approved schedule on file with the Charitable Gaming Division relative to the times each method of winning number selection will be used.
- ✓ **Operations will be reviewed to determine that keno games are not run at intervals of less than 5 minutes.**
- ✓ **Operations will be reviewed to determine if system access codes or passwords are changed periodically,** particularly in those instances when an employee having access to the system leaves the employment of the operator.
- ✓ **Operations which offer a progressive jackpot** will be reviewed to determine that funds equivalent to the current amount of the progressive jackpot **are in escrow** or specifically set aside for that purpose.
- ✓ **Operations will be reviewed to determine that all wagers are made in cash and patrons are not allowed to wager on credit.**

Any questions regarding the revisions to these audit procedures should be addressed to Pete Andersen (402) 471-5936 or Gerald Otoupal (402) 471-5940.

## Groups Petition for Changes to Nebraska Constitution



Although legislative attempts to allow Nebraska voters to decide whether the Nebraska Constitution should be changed to authorize expanded gambling in Nebraska were unsuccessful, two separate groups have taken up the cause and are currently

circulating initiative petitions in order to have the issue placed on the November, 1996, general election ballot. Each group needs to collect approximately 100,000 valid signatures by July 5, 1996.

**The two groups involved** are the Let the People Vote Committee and the Citizens for Local Option and Control Committee. **While there are significant technical differences in the two proposals** in terms of regulatory responsibility, authorized locations, local control, number and type of machines, and distribution of proceeds, **each proposal would authorize the further expansion of gambling in Nebraska to include player-activated electronic, video, and mechanical gaming devices.**

The proposal of the Let the People Vote Committee also includes other forms of **casino-type gaming activities** including dice, cards, table games and lotteries, however, these activities would be limited to licensed thoroughbred race tracks which have been in existence for at least five years or at a facility, within the same county and within fifteen miles of the licensed race track, owned and controlled by the licensed race track.

**Any questions you have regarding either of the initiative petitions may be addressed to the following:**

Let the People Vote Committee  
11141 "O" Street  
Omaha, NE 68137  
(402)597-1773

Citizens for Local Option and Control Committee  
7101 South 84th Street, Suite 10  
LaVista, NE 68128  
(402)593-0050

## Legislative Effort To Reduce Nebraska Bingo Tax Fails Again

**The 1996 Nebraska Legislature** ended its session this year without passing a bill that would have reduced Nebraska's bingo tax. Senator Eric Will's LB 687, which would have reduced the state bingo tax from 6% to 3%, and eliminated the local 2% bingo tax altogether, **failed to advance** from General File after debate on March 28th. Later attempts by Senator Will to amend the bingo tax reduction into other bills also failed.

Historically, attempts have been made every year for the past 10 years to reduce Nebraska's bingo tax; either by reducing the state portion of the tax, eliminating the 2% tax which organizations must pay to their local city or county clerk, or by a combination of reducing and eliminating both portions of the tax. In 1990, the Legislature did reduce the **local** bingo tax from 4% to 2% providing some tax relief, but this still left Nebraska with an 8% overall bingo tax. It is expected that Senator Will will continue his efforts to reduce the bingo tax in the future.

## Want to Know More About Charitable Gaming?

Looking for a speaker for your next conference? Interested in starting a new gaming activity? In need of help understanding gaming requirements, rules, or forms? **CONTACT US!** We have staff members who specialize in gaming-related presentations both formal and informal. No group is too big or too small. Just give us a call and we will make arrangements to suit your group or organization needs.  
**(402) 471-5937**

# GAMING CALENDAR

## July

- 4** All State Offices Closed - July 4th
- 19** Effective Date for LB 1277.
- 30** Form 51 Tax Return and Applicable Schedules I, III, and/or IV Due. Last acceptable postmark date is July 30th.

## August

- 1** Pickle Card Operator License Renewal Applications Due.  
Pickle Card Operators must have their license renewal applications postmarked no later than August 1st.
- 15** All Other License Renewal Applications Due (Excluding County/City Lottery Licensees). Organizations, commercial lessors, distributors and manufacturers must have their license renewal applications postmarked no later than August 15th.  
**Organization Annual Reports Due.** Forms 35, 35A and 35B for bingo, pickle card, and lottery/raffle activities must be postmarked no later than August 15th.

## September

- 2** All State Offices Closed - Labor Day
- 30** All 1995-96 Bingo, Pickle Card, and Lottery/Raffle Licenses Expire at Midnight.  
Last Day of Third Quarter 1996.

## October

- 1** First Day of 1996-97 License Year.
- 14** All State Offices Closed - Columbus Day
- 30** Form 51 Tax Return and Applicable Schedules I, III, and/or IV Due. Last acceptable postmark date is October 30th.  
**Organization Quarterly Reports Due.** Forms 35C and 35D for bingo and pickle card activities must be postmarked by October 30th.

## November

- 11** All State Offices Closed - Veterans Day
- 15** 1997 Pickle Card Dispensing Device Registration Renewals Due. Applications to renew registration of a pickle card dispensing device must be postmarked by November 15th.
- 23-24** All State Offices Closed - Thanksgiving

## December

- 25** All State Offices Closed - Christmas
- 31** Last Day of Fourth Quarter, 1996.  
**1996 Pickle Card Dispensing Device Registrations Expire at Midnight.** Organizations and Pickle Card Operators must have 1997 decals affixed to devices after midnight.

## Compulsive Gamblers Assistance

Gamblers Anonymous 1-800-GAMBLER (National)

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>✓ Gamblers Anonymous (Lincoln) (402) 473-7933</li> <li>✓ Gamblers Anonymous (Omaha) (402) 978-7557</li> <li>✓ Gamblers 12 Step &amp; Family (Omaha) (402) 978-7899</li> </ul> | <ul style="list-style-type: none"> <li>✓ Family Services (Omaha) (800) 762-0868</li> <li>✓ Nebraska Council on Compulsive Gambling (Bellevue) (402) 291-0980</li> </ul> |
|--|---|



P.O. Box 94855  
Lincoln, Nebraska 68509-4855

Bulk Rate  
U.S. POSTAGE  
PAID  
Lincoln, Nebraska  
Permit No. 212



printed on recycled paper